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POLITICAL GOVERNANCE INDICATORS AND SMALL STATES

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1. INTRODUCTION

The objective of this paper is to test the hypotheses that Governance in small states differs from that of larger countries and that this conclusion can be applied to high-income as well as low-income small states.

The paper utilizes three international indicators of governance, namely the Worldwide Governance Indicators, the Corruption Perception Index and the Legal System and Property Rights Index (one of the indices of the Economic Freedom of the World Indicators). These particular three indices were used because they cover a large number of countries, including many small states.

This subject is important due to the fact that a fifth of politically independent states are small ones, with a population of 2 million or less. Many of these states are also islands, located in the Caribbean region, the South Pacific and the Indian Ocean. Six of the 28 member states of the European Union are such small states. In addition, the small island states located in the Pacific and Indian Ocean have vast Exclusive Economic Zones under their jurisdiction. The manner in which these states are governed is therefore of utmost importance for global governance.

This paper consists of five sections. Following this introduction, Section 2 presents a brief literature review. Section 3 describes the methodology to be used for deriving the results presented in Section 4. The final chapter discusses some implications of the results.

2. BRIEF LITERATURE REVIEW

This section presents a literature review on (a) the main characteristics of small states (b) the meaning of governance and how good governance can be measured and (c) governance in small states.

2.1 Characteristics of Small States

Measuring the size of states

Generally speaking the size of countries is measured in terms of their population. The Commonwealth Secretariat, whose constituency is mostly small states, take a population of 1.5 million as a cut-off point for small states.[1] However other methods of measuring size were proposed, including their total GNP and the area of the country (Downes.1988).

[1] More information is available at: http://thecommonwealth.org/our-work/small-states

Factors that lead to economic vulnerability of small states

Small states face a unique set of development challenges posed by their small size. They are highly dependent on international trade and tourism for their economy and have high transport and communication costs. For example, the 2008/2009 global economic recession impacted the economies of many small states at a level unseen in larger economies (Briguglio, 2014). According to Briguglio (2014) small states tend to have a high degree of openness to international trade as one of the consequence of small economic size. Their small domestic market does not permit the production of a critical mass of output, particularly in manufacturing. In addition, their lack of natural resources render them highly dependent on imports of industrial supplies and fuel.

Other Specific challenges of small states

With limited resources, the size of small states undoubtedly affects their fragile economies and also exposes them to many challenges such as the dependence on a narrow range of exports, the high transportation costs due to insularity and remoteness, dependence on strategic imports such as food and fuel, susceptibility to natural disasters and environmental change, decline in global trade and investment, lack of readily available information for investors and trading partners and also limited capacity to harness growth opportunities.

Briguglio (1995) argues that small states, which normally have a small domestic market, face special constraints due to their limited ability to reap the benefits of economies of scale. Such a condition may threaten their very economic possibilities. It often happens that the GDP or GNP per capita of these states conceals this reality (i.e. their true economic performance).

Armstrong (2005) points to the fact that many small states that are also islands, with widely dispersed multi-island states tend to be disadvantaged due to their location far from major markets. For many small island states, high transport costs make it hard to turn to world markets to compensate for the small size of domestic markets. And small domestic markets combine with large distances from other markets to reduce competition and its spur to efficiency and innovation.

The geographic isolation of many small islands has predisposed the high cost of transportation and communication to and from these countries. Despite the development of communication technologies, which have helped to mitigate the traditional isolation, the challenges persist. Issues surrounding transport and its high cost remain critical to the sustainable development of islands, and the economic costs remain high. Additionally, the transport infrastructure of SIDS is close to the coasts and is consequently threatened by climate change and sea level rise, as well as by natural disasters (SIDS, 2014).

Small island states, particularly low-lying ones are highly vulnerable to climate change due to sea level rise, given that a high proportion of economic activities, including tourism and fishing, occur on the coast (IPCC, 2014).

As the climate keeps changing faster than our own pace of life, the number of natural disasters related to rapid rise in temperatures and unpredictable climatic patterns will keep rising causing multiple tragedies worldwide. In order to assess the frequency of events- in contrast to their cost, as reflected by the estimates of damage and the number of affected

persons- it is useful to consider the number of natural disasters in relation to their country size (IPCC, 2014).

According to Rasmussen (2004) comparing the number of events to land area and population shows that small island states tend to have the highest frequency to natural disasters. This result is ostensibly explained by the fact that many small island states are located in areas prone to tropical cyclones to which they are especially susceptible owing to their long coast lines, where most of their major cities are also located. Due to this factor, a high percentage of people living on small island states risk their lives daily as the high frequency of natural disasters translates into a relatively high levels of damage.

2.2 Governance

Defining Good Governance

The United Nations Development Programme define governance as: "The exercise of political, economic and administrative authority in the management of a country's affairs at all levels: comprising the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, mediate their differences and exercise their legal rights and obligations." [2]

According to the World Bank, the term 'good' governance is used for a country that has achieved economically and socially stable conditions over a prolonged period of time. Conceptually, governance can be defined as the rule of the rulers, typically within a given set of rules. According to the World Bank t governance is the process by which authority is conferred on rulers, by which they make the rules, and by which those rules are enforced and modified.[3] Understanding governance requires an identification of the rulers and the ruled, as well as the various processes by which they are selected, defined, and linked together and with the society generally.

In many papers, journals and books the term 'good governance' is defined in terms of the mechanisms thought to be needed to promote it. According to Grindle (2004) good governance is an idealistically extensive agenda which is based on the objective of bettering the lives of people. Among many governance reforms that encourage progress and reduce poverty, there is little guidance about what's necessary and what's not, what should be a priority and what should follow next, what can be achieved in the short term and what can only be achieved over the longer term, what is feasible and what is not.

According to Briguglio et al. (2006) good governance relates to all aspects of the quality of life of the affected population. This concept is nonetheless disputed because it is enmeshed in cultural issues, with some countries claiming that they have their particular way of ensuring good governance, and that the western model may not be suitable for them. Most definitions of good governance state that it should be effective and just and promotes the rule of law. Good governance therefore, requires that political, social and economic priorities are based

[2] Source available at: http://www.academia.edu/8510458/UNDP_on_good_governance
[3] This definition has been retrieved from the World Bank website, at: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/EXTMNAREGTOPGOVERNANCE/0,,contentMDK:20513159~menuPK:1163245~pagePK:34004173~piPK:34003707~theSitePK:497024,00.html

on a broad consensus in society and the voices of the poorest and the most vulnerable are heard in decision making and policies affecting their standard of living (Reddy, 2006).

Governance Indicators

Governance indicators are commonly developed to rank countries or organizations or to determine eligibility for a benefit. Although indicators are quantitative, expressed in rates, ratios, percentages, or numbers, some are based on qualitative information converted into numbers (Merry 2011).

Several indices were proposed to measure good governance. These include the World Bank's Worldwide Governance Indicators (also known as the Kaufman Indicators), the Corruption perception Index and the Economic Freedom of the World Index. These indices cover a large amount of countries including small states. These three indices will be used in the study to assess the quality of governance in small states compared to that of larger countries.

According to Merry (2011) world indicators are rapidly multiplying as tools for assessing and promoting a variety of social justice and reform strategies around the world. According to the same author, the growing reliance on indicators provides an example of the distribution of the corporate form of thinking into broader social spheres.

Worldwide Governance Indicators (WGI)

The worldwide governance indicators are based on several hundred individual variables measuring perceptions of governance.[4] The indicators have six dimensions, namely Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. The index scores each dimension along a range of -2.5 to +2.5 where -2.5 indicates the worst possible governance score and +2.5 the best governance score.

The WGI have been criticised by various authors. Arndt and Oman (2006) criticized the WGI saying that they are very complicated and difficult to reproduce. Thomas (2009) has criticized the WGI due to their lack of 'construct validity' – whether they measure what they implicate to measure. Langdon and Knack (2010) criticized the WGI due to lack of conceptual clarity because the six governance indicators measure a broad underlying concept of 'effective governance" and they appear to say the same thing. Gregory (2014) also refers to the neo-liberal orientation of the WGI.

The Corruption Perception Index (CPI)

Another well-known indicator of governance is the Corruption Perceptions Index which captures the opinions of internationally focus experts, typically from a corporate background, usually with higher education levels. However, there is no robust evidence to suggest that this leads to a foreign elite bias.[5] Nevertheless, behind these numbers is the daily reality for people living in these countries. The index cannot capture the individual frustration of this reality, but it does capture the informed views of analysts, businesspeople and experts in countries around the world. (Srinivasan 2014). The CPI ranks countries and territories based

[4] Further information about the WGI is available at: http://data.worldbank.org/data-catalog/worldwide-governance-indicators

[5] Further information about the CPI is available at: http://www.transparency.org/cpi2014/results

on how corrupt their public sector is perceived to be. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean).

Over the past two decades, the index has become one of the key corruption indices worldwide. The index is a composite index that aggregates data from up to 12 different data sources into a single score.

Any index that captures corruption through a single score will have its shortcomings. Therefore, not surprisingly the Corruption Perceptions Index has received its fair share of criticisms over the years. If the abuse of public office for private gain is typically done in secret, under the table or behind closed doors, how can you systematically and realistically capture its scale and depth?

Despite the CPI's reputation of being a good measure of indicating corrupt practices in Government's worldwide, some have attacked its' dependence on the opinions of a small group of experts and businesspeople. According to Cobham (2013), "The CPI embeds a powerful and misleading elite bias in popular perceptions of corruption" and can lead to inappropriate policy responses.

Additionally Cobham (2013) suggested that Transparency International should drop the CPI and said it would be more useful to collect better evidence of actual corruption or information about how corruption is or is not affecting citizens. He stated that "The index corrupts perceptions to the extent that it's hard to see a justification for its continuing publication".

Other critics have argued that it is simply impossible to relay in a single number the scale and depth of a complex issue like corruption, and compare countries accordingly. In fact, the renowned magazine *Economist* in a 2010 article dubbed the CPI the "murk meter". It went on to say that the index gets much-needed attention, but it overshadows Transparency International's other activities and that it exposed it to criticism.

However, Transparency International has defended its approach, arguing that capturing experts' perceptions is the most reliable method of comparing relative corruption levels across countries. It also argued that corruption generally comprises illegal activities, which are deliberately hidden and only come to light through scandals, investigations or prosecutions. Therefore according to Transparency International there is no meaningful way to assess absolute levels of corruption in countries or territories on the basis of hard realistic data.

The Economic Freedom of the World Index

Another important indicator that will be discussed here forms part of the Economic Freedom of the World Report. It is an indicator to measure the degree of economic freedom in the world's nations.[6] This indicator has been used in peer studies some of which have found a range of beneficial effects of more economic freedom, but countries with higher economic freedom suffered more in output growth during the late-2000s financial crisis.

[6] Further information about the LSPR is available at: http://www.freetheworld.com/release.html (2014 dataset)

The Economic Freedom of the World index has been more widely used than any other measure of economic freedom, because of its coverage of a longer time period. One of the earliest measures of economic freedom was developed to carry out extensive work on the measurement of political and cultural freedom. This measure incorporates a range of indicators including freedom to establish a business and freedom of union organisation.

This index has five areas, namely, Size of government: expenditures, taxes, and enterprises, Legal structure and security of property rights, Access to sound money, Freedom to trade internationally, Regulation of credit, Labour.

Like the other entire world indicators it has its strength and weaknesses. Perhaps its main strengths are found in the protection of personal choice rather than collective choice. The Voluntary exchange coordinated by markets rather than allocation via the political process and the so called 'Freedom' to enter and compete in markets. We can also mention the protection of persons and their property from aggression by others.

From the weakness side we can mention that this index has been critically analysed by a number of studies. De Haan and Siermann (1998) found that the relationships given in the index are not robust, while Heckelman and Stroup (2000) argue that the weighting procedure used in the construction of the index is arbitrary. Moreover, the same authors examine the components of the index individually and find that many including a low top marginal tax rate are negatively, rather than positively, correlated with economic growth.

Comparing Governance Scores

For many years the issue of "good governance" in small states has been at the centre of the development debate. It has major normative effects and it is therefore subject to political and cultural interpretations.

However, there is a broad measure of agreement on what might be termed essential elements such as open, transparent, accountable, efficient, effective and responsive administration. Sutton (2008), referring to Hyden et al. (2004) argues that six functional areas of governance are identified in the literature:

1. Civil society -where citizens raise and become aware of political issues;
2. Political society - combining societal interests into policy proposals;
3. Government - where policies are made by governmental institutions;
4. Bureaucracy - where policies are administered and implemented;
5. Economic society - the way state and market interact to promote development; and
6. The judicial system - where disputes and conflicts are resolved.

Respect for human rights and the rule of law is also generally included in the definition of good governance (Curmi, 2009).

Governance and small states

Governance is important for all types and sizes of states, but it is particularly important for small states. This is because small states are often characterized by very limited pool of talents and are very exposed to the negative effects of external shocks. In the quest for economic development, effective, stable and accountable governments are indispensable. In

recent times, good governance has been associated with economic resilience building, mainly for small states, which are very highly prone to external shocks and the promotion of good governance in the public and private sector. This was considered to be a major element of an integrated approach for resilience building (Briguglio et al., 2006).

Sutton (2008) contended that some work on the governance of small states has been done for the South Pacific region and to a lesser extent for the Caribbean region. But none of it has been brought together in any single study which distinctively focuses on small states. He continues that "nevertheless what is apparent from the literature on small states qua small states is the high levels of democracy that prevail in many of them along with reasonably good standards of public administration when compared to larger developing countries". The author further argues that this viewpoint is too complacent. Small states may have serious problems in promoting or maintaining good governance. One reason, according to Sutton, is that the cost of poor governance in a small society tends to be very large, given the extreme difficulty in recovering from the consequences of inappropriate policies and practices sustained over a very long period.

Curmi (2009), discussing the relationship between size of countries and governance argued, that smaller states tend to be better governed than large ones. She also found that when considering small states separately, it emerged that governance performance tends to be related to income per capita. She also argues that it makes sense to assume that well-governed countries are likely to attain a relatively high level of economic development probably because good governance reduces economic instability and enhances predictability, and this leads, amongst other things, to the attraction of investment from local and foreign sources.

She refer to Malta and Barbados, which are poorly endowed with natural resources, are highly exposed to external shocks, and are therefore disadvantaged economically, have still managed to attain a relatively high degree of economic development, possibly because of their governance performance.

Curmi (2009) further attempted to explain why many small states are relatively well-governed. It may be argued that small size renders governance easier, in that the number of persons to be managed is smaller. Another possible explanation could be that small states tend to be socially cohesive (Prasad, 2008) and this may facilitate good governance.

Curmi (2009) also contended that many small states have transposed and adopted governance approaches from former colonising powers, where democracy and the rule of law were firmly established, although she qualified this statement by saying that, the evidence may not be very clear-cut in this regard – given some of the worst-governed small states have also been formerly governed by colonial powers that uphold the rule of law.

Another reason, why small states tend to be well governed, proposed by Curmi, is that small states have better possibilities to use discretionary approaches rather than rigid rules, and this permits them to manoeuvre better in terms of crisis.

3. METHODOLOGY

As already explained this study uses three governance indicators, namely the Worldwide Governance Indicators (WGI), The Corruption Perceptions Index (CPI) and the Legal System and Property Rights (LSPR) indicator.

The source of the data of the WGI is the World Bank website which presented the latest WGI data.[7] The WGI covers about 210 countries and territories. However, non-independent territories were excluded from our analysis. In addition some countries for which the GDP per capita was not available such as North Korea were excluded. The final list of countries amounted to 184 countries. The WGI scores range from -2.5 to +2.5 where -2.5 is the worst possible governance score and +2.5 is the best.

The Corruption Perceptions Index (CPI) is based on expert opinions of public sector corruption. The data was collected from the Transparency International website.[8] The number of countries which we utilised for our purpose was 169. A country's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (not corrupt).

The Legal System and Property Rights (LSPR) indicator is part of the Economic Freedom of the World Report. The data is available in the website Fraser Institute.[9] The index scores range between 0 and 10, where 10 is the highest achievable score.

One of the methods used in this paper was to correlate the three governance scores with country size and GDP per capita of 184 countries.[10] A simple regression method was used for this purpose. The results will be presented in graphical formats.

These 184 countries were then classified in five categories according to their population size. Small states were divided into two groups, namely those with a population of 500,000 persons or less (labelled very small states – VSS) and those with a population of over 500,000 and up to 2 million persons (labelled as medium-small states - MSS). The remaining groups of countries were also classified in terms of their population as medium large states (MLS) with a population of between 2 and 10 million persons, large states (LS) with a population of between 10 and 50 million and very large state (VLS) with a population of over 50 million. The data was obtained from the World Economic Outlook available at the IMF website.

The same 184 countries were also classified according to their GDP per capita, measured in US dollars, to assess whether the governance scores were associated with the stage of development of countries. The data was obtained from the World Economic Outlook available at the IMF website. In addition we also classified countries in terms of their GDP per capita as in four categories. These categories were named, High Income Economies (HIE), Upper Middle Income Economies (UMIE), Lower Middle Income Economies (LMIE) and Low Income Economies (LIE), in line with the World Bank classification.[11]

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[7] The WGI data is available here: http://data.worldbank.org/data-catalog/worldwide-governance-indicators
[8] The CPI data is available at http://www.transparency.org/cpi2014/results.
[9] The LSPR data is available at http://www.freetheworld.com/release.html (2014 dataset)
[10] Data for GDP per capita was sourced from the IMF websie: http://www.imf.org/external/pubs/ft/weo/2014/02/weodata/index.aspx
[11] The World-Bank classification available at http://data.worldbank.org/news/2015-country-classifications

In all therefore there were five size categories and four income categories. We will obtain the average governance score for each of these five size categories and for all countries taken together . In this way we will obtain 25 average governance scores for each of the 3 governance indicators.

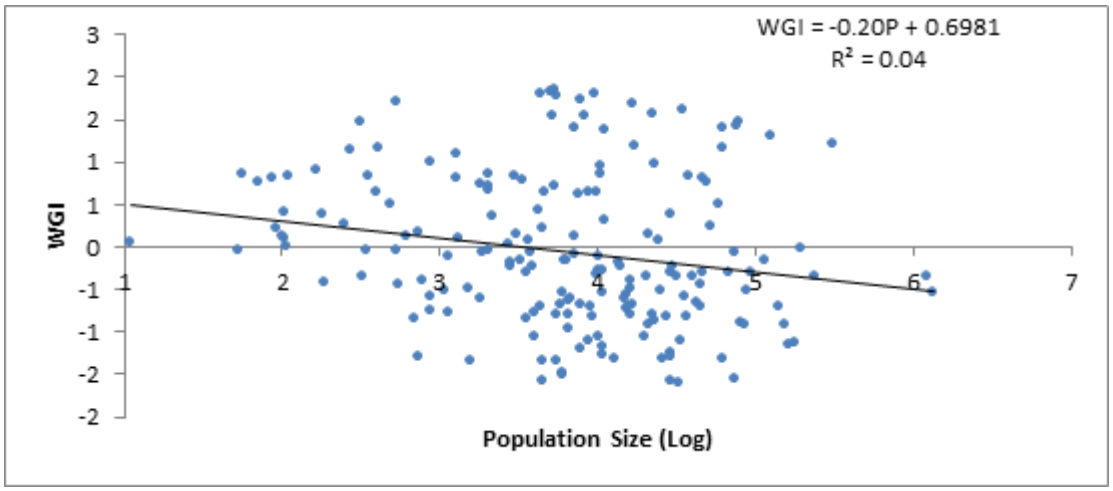
Finally, we will choose the best six performers and the worst six performers in terms of governance scores among the small states, given that our focus was on the governance performance of small states. Through this exercise some traits can be identified which render a small state to be exceptionally badly governed and a small state which is exceptionally well governed.

4. RESULTS

4.1 General tendencies

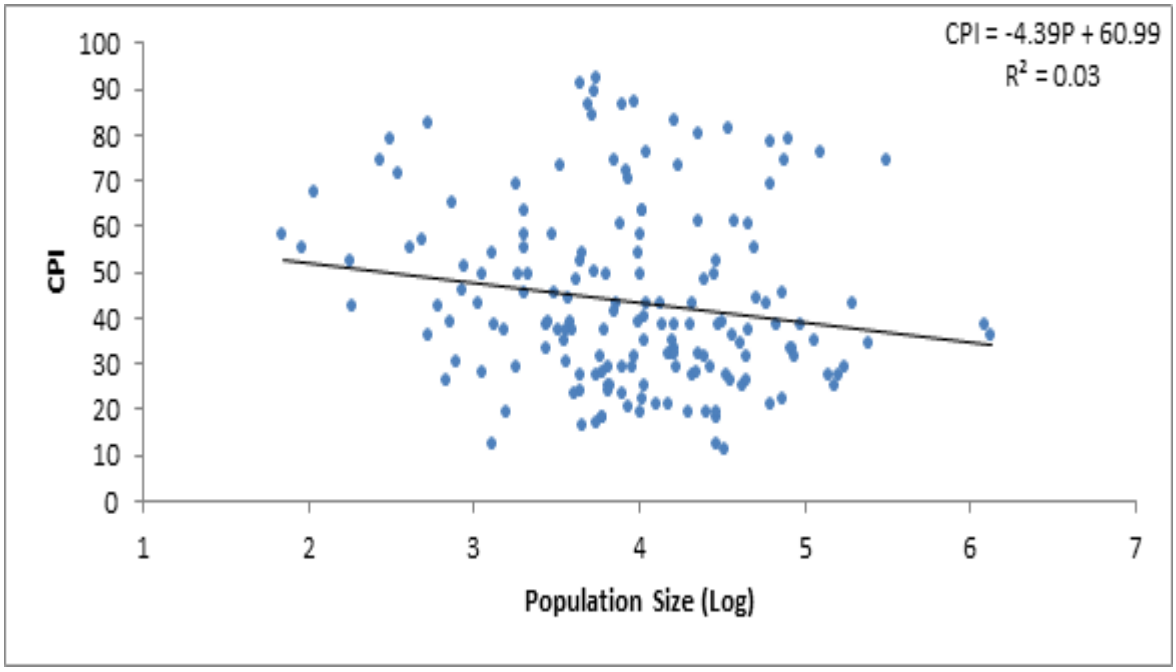
Figures 1,2 and 3 show the relationship between the three governance scores (WGI, CPI and LSPR) and population size of 184 countries. The population size was measured by the log of the population. In all three graphs the trend line has a negative slope indicating that small countries tend to have better governance scores than larger countries when measured by their population. Moreover, the scatter diagram indicated clearly that there was a wide dispersion of the markers around the trend-line. In fact the correlation coefficient was very low (R^2 =0.04 for the WGI, R^2 = 0.03 for the CPI and R^2 =0.02 for the LSPR).

Figure 1: The relationship between WGI score and population



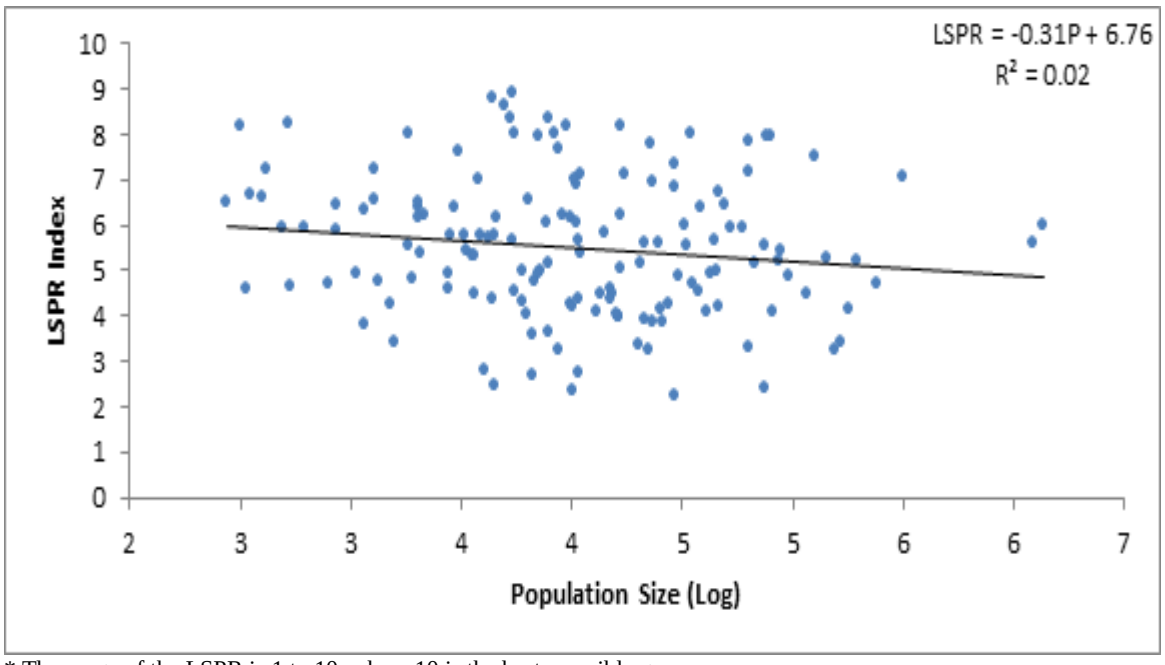
* The range of the WGI is -2.5 to +2.5 where +2.5 is the best possible governance score.

Figure 2: The relationship between CPI result and population size



* The range of the CPI is 0 to 100, where 100 is the best possible governance score.

Figure 3: The relationship between LSPR result and population size



* The range of the LSPR is 1 to 10, where 10 is the best- possible governance score.

Figures 4,5 and 6 show the relationship between the three indices and GDP per capita. The general tendency that emerges is that the richer a country is the higher the governance score. This time however, that the correlation was on the high side given that R^2 was just over 0.6 in the three diagrams.

Figure 4: The relationship between WGI and GDP per capita

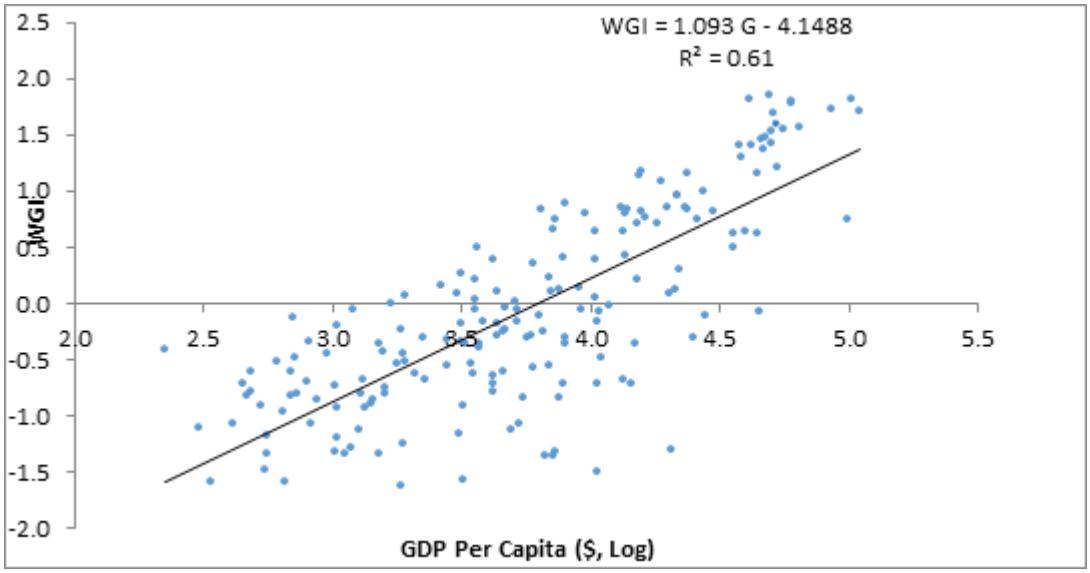


Figure 5. The relationship between CPI and GDP per capita

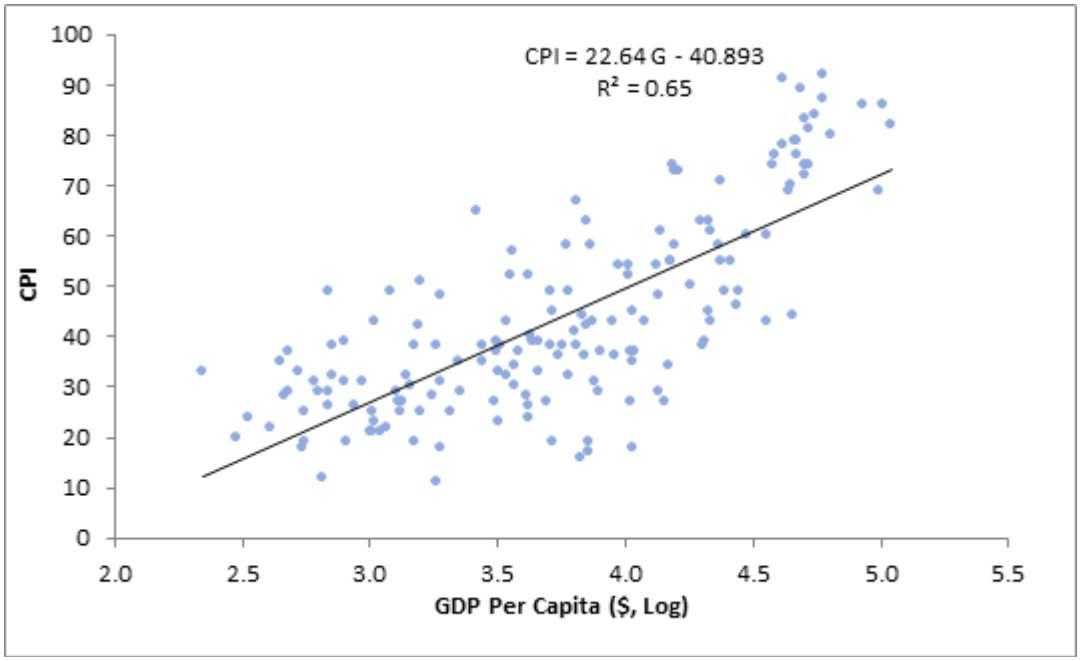
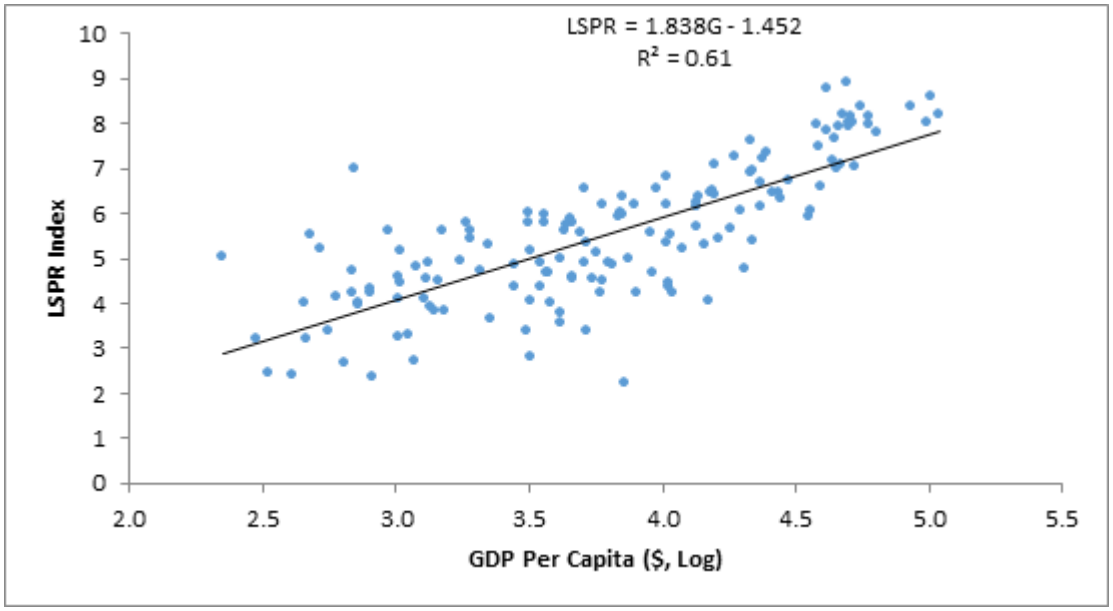


Figure 6: The relationship between LSPR and GDP per capita



These findings are reported in many studies. However there is some debate regarding the causality. In fact some studies argue that richer countries have better governance score because they can afford the institutional set-up meaning that the causality is that GDP influences governance. Conversely other studies argue that the causality is the other way round, meaning that good governance leads to improvement in the economy. Possibly, the two variables are determined simultaneously.

4.2 A deeper look at Governance Scores and Country size

Table 1 shows countries classified by population size and income per capita in terms of the three governance indicators, starting with WGI. The countries are grouped into 25 categories as explained in Section 3, with the average governance score calculated for each category.

Table 1: Countries classified by Income and Population according to their average WGI scores

Population size	Income per Capita Categories				
	All countries	**HIE**	**UMIE**	**LMIE**	**LIE**
Up to 500,000	0.458	0.989	0.281	0.172	n/a
Over 500,000 to 2 million	-0.019	0.529	0.054	-0.401	-0.938
Over 2 million up to 10 million	-0.009	1.135	-0.334	-0.509	-1.116
Over 10 million up to 50 million	-0.295	0.967	-0.504	-0.569	-0.774
Over 50 million	-0.103	0.967	-0.146	-0.674	-1.181

Note: The WGI scores range from -2.5 to +2.5, where +2.5 is the best possible form of governance.
Legend: HIE = High Income Economies, UMIE = Upper Middle Income Economies, LMIE = Lover Middle Income Economies; LIE = Low Income Economies, in line with the World Bank categorisation.

Table 2: Countries classified by Income and Population according to their average CPI scores

Population size	Income per Capita Categories				
	All countries	HIE	UMIE	LMIE	LIE
Up to 500,000	61.0	69.8	60.0	50.3	n/a
Over 500,000 to 2 million	43.8	53.8	42.3	44.3	24.7
Over 2 million up to 10 million	45.6	70	37.9	31.6	24.2
Over 10 million up to 50 million	38.9	66.5	35.7	33.4	28.7
Over 50 million	44.1	63.9	40.2	32.9	25.3

Note: The CPI scores range from 1 to 100, where 100 is the best possible form of governance.

Table 3: Countries classified by Income and Population according to the average LSPR score

Population Size	Income per Capita Categories				
	All countries	HIE	UMIE	LMIE	LIE
Up to 500,000	6.5	7.2	4.6	n/a	n/a
Over 500,000 to 2 million	5.5	6.5	5.6	4.5	4.5
Over 2 million up to 10 million	5.8	7	5.6	4.6	3.6
Over 10 million up to 50 million	5.2	6.9	4.8	4.8	4.1
Over 50 million	5.3	7.1	5.0	4.8	4.2

Note: The LSPR scores range from 1 to 10, where 10 is the best possible form of governance.

It can be seen that very small states (VSS) defined as those with a population up to 500,000 persons, on average registered relatively high WGI scores. From the tables, it emerges that on average, the best performers were those countries with a population of between 10 and 50 million. However there was a variation between different countries and the average may have hidden a wide dispersion of WGI scores. Table 1 also shows that when classifying countries in terms of income per capita averages, the average WGI scores tended to get smaller as income per capita decreased. Interestingly, the best performers were high income countries with a population of between 2 million and 10 million and the worst performers were very large low-income countries.

Tables 2 and 3 repeat the same exercise with respect to the CPI and LSPR scores. Interestingly enough the same pattern emerged to that of Table 1. Again, when all income groups were considered the very small states scored relatively well. The scores in fact tended to decline as income per capita decreased.

4.3 The best and the worst small-state performers

Table 4 shows the six best-governed Small States in terms of the WGI, accompanied by a number of features of these states, namely there income per capita, Human Development Index Score (2014), their political system, their rate of population change, their former colonising power, their location and their predominant religion.

Table 4: The Situation in the Six Best-governed Small State

Country	WGI Score	Income per Capita	HDI Score	Population Growth (per 1000) (2010-15)	Political System	Recent Colonising Power	Location	Predominant Religion
The Best-governed Very Small States (Population up to 500,000)								
Iceland	1.473	HIE	0.895	7.3	Parliamentary Democracy	Denmark	Europe	Protestant
Malta	1.165	HIE	0.892	0.2	Parliamentary Democracy	Britain	Europe	Catholic
Barbados	1.143	HIE	0.788	1.8	Parliamentary Democracy	Britain	Caribbean	Catholic
The Best-governed Medium Small States (Population over 500,000 up to 2 million)								
Luxembourg	1.704	HIE	0.881	3.9	Parliamentary Democracy	France	Europe	Catholic
Estonia	1.804	HIE	0.845	-1.2	Parliamentary Democracy	Soviet Union	Europe	Mixed Religions
Cyprus	0.997	HIE	0.840	4.7	Parliamentary Democracy	British	Europe	Orthodox

From this table it clearly emerges that the best performing Very Small States (population up to 500,000) were Iceland, Malta and Barbados. All three countries are high income economies (HIE's). The two top ranking countries in terms of governance are located in the European continent while the third best per-forming country, Barbados, is located in the Caribbean Sea.

Table 4 also shows that the three top ranking medium-sized small states with a population over 500,000 up to 2 million persons. These were Luxembourg, Estonia and Cyprus. All three countries are high income economies (HIE's) and all of them are located in Europe. All six countries have relatively high HDI scores and a relatively low population growth.

It was also interesting to note that three out of these six countries at some point had been under British rule. Another important factor which emerges from Table 4 is that all six countries were parliamentary democracies. From the religious side, the six countries were mostly Christian, although in most of them, particularly Estonia, there was a relatively large percentage of non-practicing Christians or non-religious persons.

Table 5 shows the main characteristics of the three worst-governed very small states and the three worst-governed medium sized small states, in terms of the WGI. The best performing VSS (population up to 500,000) are Iceland, Malta and Barbados. All three countries are high income economies (HIE's). The two top ranking countries in terms of governance are located in the European continent while the third best performing country, Barbados, is located in the Caribbean Sea.

Table 4 also shows that the three top ranking MSS with a population over 500,000 up to 2 million persons. These are Luxembourg, Estonia and Cyprus. All three countries are again high income economies (HIE's) and the three of them are located in Europe. All six countries have relatively high HDI scores and a relatively low population growth.

Table 5: The Situation in the Six Worst-governed Small State

Country	WGI Score	Income per Capita	HDI Score	Population Growth (per 1000) (2010-15)	Political System	Recent Colonising Power	Location	Predominant Religion
The Worst-governed Very Small States (Population up to 500,000)								
Sao Tome & Principe	-0.421	LMIE	0.552	27.8	Multiparty republic	Portugal	West Africa	Mixed religions
Maldives	-0/359	UMIE	0.698	17.9	Presidential Republic/ Authoritarian	Britain	Indian Ocean	Islam
Marshall Islands	0.048	UMIE	N/A	17.2	Mixed parliamentary-presidential system	United States	Pacific Ocean	Protestant
The Worst-governed Medium Small States (Population over 500,000 up to 2 million)								
Guinea Bissau	-1.340	LIE	0.396	25.3	Authoritarian	Portugal	Africa	Islam
Equatorial Guinea	-1.306	HIE	0.556	24.5	Authoritarian	Spain	Africa	Roman Catholic
Comoros	-0.861	LIE	0.488	26.8	Authoritarian	France	Indian Ocean East Africa	Islam

A common feature of these states is that their political system is based on a presidential type with a multiparty representation, but with an authoritarian style of government. Religion in these six countries is mixed, however an interesting factor emerged. In three of them, Islam was the predominant religion. They were also characterised by relatively low HDI scores, and relatively high population growth.

Geographically, it emerges that the best performers in terms of governance were those countries which are mostly found in the European continent. The worst performers were found to be outside the European continent, mostly in the African continent.

Although the Muslim religion emerged as a common feature among the worst performing states, one should be careful before generalising because, for example, Equatorial Guinea, which is one of the worst governed countries in the world, where human rights are not particularly respected, the dominant religion there is Roman Catholic.

5. CONCLUDING REMARKS

Based on the results presented in Section 4, it can be concluded that the hypotheses set in the introduction of this paper had been generally confirmed, albeit with a number of exceptions, as small states in general tend to register relatively high governance scores and that the small states with higher GDP per capita register scores than those with lower GDP per capita.

The paper also attempted to identify some characteristics of the best and worst government small states. It emerged that the best-governed states were mostly located in Europe, were mostly former British colonies, and characterised by a parliamentary democracy. They tended to have relatively high GDP per capita and HDI scores and low population increases. Most of

the worst-governed small states were located in the African continent with a predominantly Muslim religion. Some of these characteristics may be the cause of good governance (e.g. parliamentary democracy) while others the result (high GDP per capita and HDI), although most probably certain characteristics are simultaneously determined.

A word of caution is needed at this stage as governance is multifaceted and therefore quantitative indicators are not likely to capture the various factors that render the performance of a particular government better than another. In addition, it has to be kept in mind that the governance scores used in this paper, have to be critically evaluated in order to assess whether they are biased towards specific ideologies.

All the scores reported in this paper can be analysed more rigorously through more sophisticated approaches than those used in this paper. The simple correlations presented in this study may unintentionally have hidden divergences in this very complex phenomenon. At best our results point out to general tendencies and therefore for a deeper analysis each country needs to be profiled individually.

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